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RUEHHK/AMCONSUL HONG KONG 5857
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SUBJECT: TAIWAN INVITES COMMENTS FROM DRUG COMPANIES

REF: 05 TAIPEI 4685

11. SUMMARY. Joseph Damond VP International Affairs of the Pharmaceutical Research and Manufacturers of America (PHRMA) met with Bureau of National Health Insurance (BNHI) and Dept of Health (DOH) officials Jan 19-20 to discuss PHRMA market access concerns in Taiwan. They discussed separation of prescribing and dispensing of drugs, public expenditures on health care and the high number of prescriptions per doctor visit, the high percentage use of generic drugs, and transparency in drug pricing. PHRMA also voiced concerns that new regulations were being adopted without adequate consultation with the drug industry. DOH and BNHI officials agreed to allow private sector comments earlier in the regulatory process and to hold regular consultations with industry and AIT. Damond later met with AIT Director and conveyed similar points. END SUMMARY

MARKET ACCESS, AND DRUG PRESCRIBING

12. In a meeting with BNHI Vice President Huang San-Kuei, PHRMA representatives Joe Damond and Heather Clark raised the limited market access U.S. drug companies have in Taiwan, the lack of separation between drug prescribing and dispensing in Taiwan hospitals (i.e. hospital pharmacists dispense drugs prescribed by hospital doctors encouraging over-prescribing to augment hospital revenue), the high number of prescriptions per doctor visit (seldom under six), the high rate of generic drug reimbursement which encourages the use of generics, and low health expenditure in Taiwan. BNHI noted that even in the U.S. there is a "black hole" effect due to the discount that state governments demand from the drug companies. (Note: black hole refers to the excess reimbursement over the real cost of the drug-the extra money is kept by the hospitals).

13. PHRMA stated that Taiwan reimburses generics at 80 percent of cost versus only 20-30 percent in the U.S. Generic drugs are 50 percent of the U.S. market by volume but only 12 percent of market by value. This gives U.S. drug companies more incentive to develop new drugs. BNHI stated that because drug prices are set according to Pharmaceutical Affairs Law article 49 implementation rule 67.1 there is little flexibility.

14. PHRMA also opposed a plan to classify new drug reimbursement into three categories and hoped the authorities would adopt a more transparent pricing system in-line with international practice.

AGREED: MORE DIALOGUE

15. PHRMA met the following day with DOH Vice Minister Chen Shi-Chong to request a delay in the implementation of regulations and procedures to allow the drug industry more time to comment. PHRMA VP Damond reiterated the same points he brought up with BNHI VP Huang earlier concerning separation of prescribing and dispensing and the high reimbursement rate for generic drugs. Chen said that drug prices take up 26 percent of healthcare costs and the government had put a 5 percent cap on national health insurance expenditure growth. He re-affirmed DOH's intent to hold regular meetings with industry and AIT as proposed by AIT in November 2005.

16. Chen then said he would welcome industry comment under the following conditions:

- a. when new drugs are introduced to Taiwan
- b. when looking for ways to minimize NHI budget and prices for drugs already on the market
- c. when looking for suggestions that would encourage proper drug prescribing by physicians.

PHRMA PRESENTS AIT DIRECTOR SAME

17. Following their meeting with DOH vice minister Chen, PHRMA reps met with AIT Director and requested his support on the above mentioned issues.

18. COMMENT. The positive feedback from DOH and BNHI and the fact that heads of both agencies will remain after the latest cabinet shuffle improves the chances for continued dialogue with PHRMA and the drug industry. However, the entrenched interests both in the pharmaceutical industry and medical field make it unlikely that either BNHI or DOH will move soon to separate drug prescribing from dispensing or to correct the overuse of generic medicines. END COMMENT

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